



SECTION 2



The Agency Activity Inventory

2.1 What is the Agency Activity Inventory?

The Agency Activity Inventory describes what agencies do

The "Agency Activity Inventory" describes the major activities of each agency. For each activity the report should provide:

- A brief description of the purpose of the activity
- The expected results of the activity (as a performance measure or description of outcomes)
- The associated agency program
- The biennial budget for the activity by fund
- The number of annual FTEs attributed to that activity
- The statewide activity category

In the past OFM has asked agencies to update the activity inventory to reflect the enacted budget. The activity inventory has been used by OFM and legislative staff as, perhaps, the best overall reference guide to the work agencies do.

What is an activity?

An activity is something an organization does to accomplish its goals and objectives. An activity consumes resources and produces a product, service, or result. One way to define activities is to consider how agency employees describe their jobs to their families and friends. On behalf of the state's citizens, we basically want to know, "What do you do? For whom? Why is it valuable?"

What level of activity should be included in the activity inventory?

For the activity inventory, an agency's work should be broken down into its discrete functions or services. An activity description that requires several compound sentences or lists to accurately convey the work probably needs to be divided into several separate activities.

We recognize that finding the “right” level of activity designation and description is a challenge. Generally we are looking for activities at a level that allows OFM to identify and prioritize functions from which the state’s citizens might benefit from a higher or lower level of state effort. We will also be looking for opportunities to consolidate or reorganize state activities to improve services and outcomes.

See Appendix A-3 for activity description examples.

2.2 What is new about the activity inventory update this year?

OFM expects to use the activity inventory as a major tool in budget development



Early forecasts for the next biennium indicate that we will likely face a significant budget gap once more. The budget development process for the 2003-05 Biennium will need to refocus and reshape state government to fit within financial constraints. In keeping with the Governor's wishes to concentrate on core government functions, we will be using the Agency Activity Inventory as a key tool in this reshaping effort.

OFM has found that incremental decision packages are not adequate by themselves to develop a budget under the financial pressures the state has faced in the last two years. OFM analysts have a need for more descriptive information about the activities the state performs as they analyze statewide budget trade-offs. We especially need to better understand the activities and costs in the budget base so we can make more comprehensive decisions. Where practical, OFM used the Agency Activity Inventory in the 2002 supplemental budget process and found it helpful.

For this reason, we are asking agencies to update the 2001-03 activity inventory in the spring to provide information for the Budget Jump Start process. We are also directing agencies to submit an activity inventory update to reflect their 2003-05 maintenance level budget submittal.

Agencies will need to update the activity inventory this spring

We are asking agencies to update the Agency Activity Inventory this spring:

- To clarify descriptions as requested by OFM.
- To disaggregate current activities into more discrete components as requested by OFM.
- To adjust activity descriptions, funds, and FTEs as necessary to reflect changes in the enacted 2002 supplemental budget.
- To add descriptions of the expected outcomes or outputs of each activity.

Please refer to separate instructions issued by OFM on April 15, 2002 for the spring update of the Agency Activity Inventory.

2.3 What are the budget submittal requirements?

Agencies must submit an activity inventory update that matches their maintenance level budget

New this year, agencies must submit an activity inventory report that reflects the proposed maintenance level budget as part of the budget submittal.

Agencies should update the activity description, expected results, dollar, fund source, and FTE information as needed so that the activity inventory information supports and matches the maintenance level budget submitted.

Agencies must prioritize their activities

In addition to the updates described above, agencies must also assign a priority category number to each activity. Use a 1 to indicate a high priority — the activities most critical to the agency's mission and outcomes. Use a 2 to indicate a medium priority activity and 3 to indicate a lower priority activity. OFM has not developed more formal definitions for these priority categories. We ask that agencies place at least one-third of agency expenditures in the lower priority category.

We understand that some agency activities don't lend themselves easily to this type of breakout, for example, an agency with only one or two discrete activities. In these cases, we encourage agencies to work with their OFM budget analyst to arrive at a prioritization that best fits the intent of these instructions.

OFM will provide agencies with a template for the update



OFM will provide agencies with a template of the activity inventory information provided in the spring update. Agencies should revise the information in the template and submit this as part of the budget as described in Section 1.4.